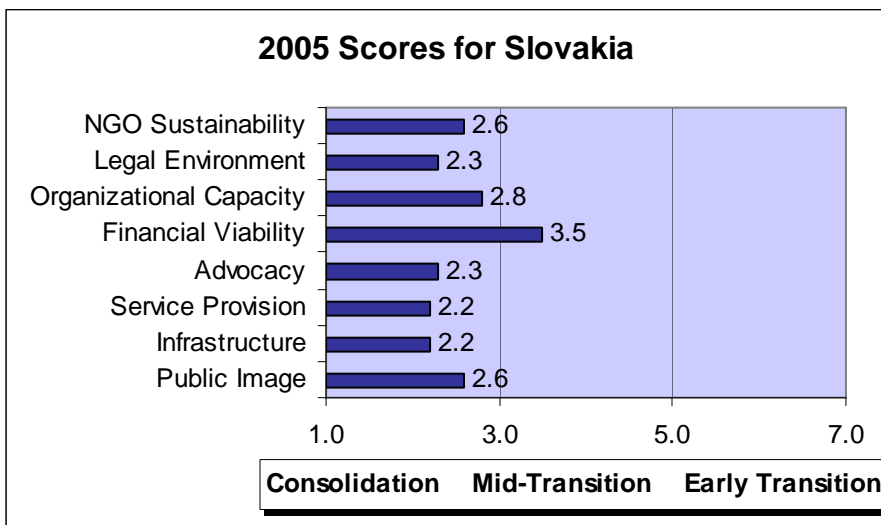


Slovakia



Capital: Bratislava

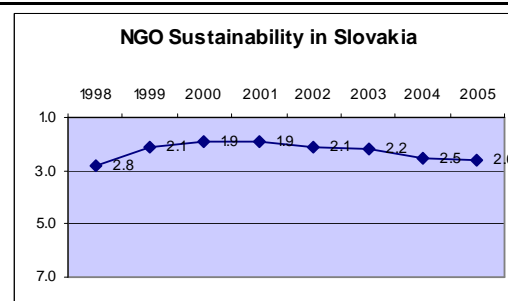
Polity:
Parliamentary
democracy

Population:
5,439,000

**GDP per capita
(PPP):** \$15,800

NGO SUSTAINABILITY: 2.6

The NGO sector did not experience significant changes over the past year, and reports only slight improvements in the Legal Environment, Financial Viability, and Organizational Capacity dimensions. NGOs continue their struggle to survive the decrease in foreign funding. More than in any other time, organizations are dependent on local resources and must turn to individual and corporate donors or other means to cover their costs. The dependence on local funding, however, has led to a decrease in staff and programs, as well as greater work loads for employees, especially the NGOs' directors. Advocacy organizations are the most affected. NGOs have increased their levels of professionalism in response to demands from the business sector and the struggle for financial viability. Organizations have realized the importance of cooperating with the business community, which requires greater professionalism. While some NGOs may be forced to cease their activities due to the lack of funding, it may be a natural and healthy process that will result in a stronger NGO sector.

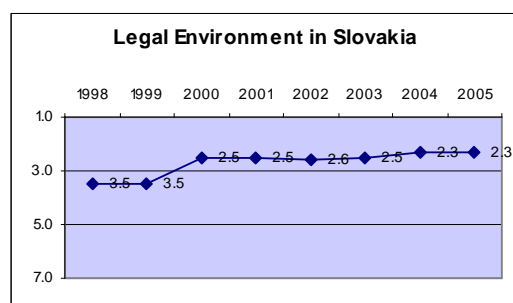


NGOs are in need of greater public support. The public, however, is generally apathetic; citizens are not even passionate about defending their rights. The State is also apathetic, and despite examples of cooperation between the state and NGOs, government officials are very passive and do not seek out cooperative relationships.

NGOs face new challenges in defining themselves as they move forward; they must decide the image they want to project to the public. Activities such as drafting the Code of Non-Profit Law and discussions on public benefit activities could have a significant impact on the sector's development and help it move forward.

LEGAL ENVIRONMENT: 2.3

The legal environment has not changed over the past year. NGOs were busy protecting their current status and were unable to focus on making changes to the law. For example, the state wanted to repeal the 2% law, which allows taxpayers to designate 2% of their tax liability to an NGO. Many organizations depend on the 2% law as an important source of income. Instead of dedicating energy to initiating important tax reforms, NGOs had to defend against regressive legislative acts. The NGO sector was able to keep the 2% law intact.



In 2004, a team of legal experts led by the Deputy Prime Minister for European Affairs, Human Rights, and Minorities, and the Ministry of Justice, was drafting the Code of Non-Profit Law. These efforts stalled in 2005 and NGOs have pressured the Ministry of Justice to follow through with the project. The Code would harmonize NGO legislation, clarify operations and simplify many procedures.

The current legal framework is vague and neither NGOs nor government institutions know how to respond. The registration process, for example, is relatively simple and county offices do not question an applicant's motives for registering. The result is a large number of registered organizations, 23,000 of which are civic associations. Many organizations register as civic associations because they are the simplest form in terms of operation and they are able to easily access funding from the 2% law. Though the registration process is simple, termination is difficult and government officials are uncertain how to dissolve an organization. The NGO sector also has problems with the finance regulations. Many

older organizations are uncertain whether their activities are classified as economic, and government officials are equally uncertain how to treat them. Most of the new organizations include economic activities in their list of activities, and the trade licensing offices do not object.

Four foundations, Ekopolis, Socia, the Children and Youth Foundation, and the Open Society Foundation, all made separate efforts focusing on lotteries, which are frequently associated with sports. These foundations tried to create socially oriented NGOs to use them as a means of fundraising; their results were only partially successful. They were successful in advocating for the right to hold lotteries, though they did not succeed in negotiating special conditions for charitable lotteries, and to operate a lottery, an organization has to purchase a lottery license for 300 million Slovak crowns (\$9.5 million USD). Other reforms concerning lotteries are slated for 2006.

Some organizations provide free legal services to other organizations. Though most services are based out of the capital, some services are provided in the regions as well. In addition, the Faculty of Law in Bratislava has started an NGO law clinic to provide students experience in NGO law by working for organizations. Few take advantage of the clinic.

NGOs are generally unaware of E.U. legislation relevant to their activities. The entire sector would benefit if more organizations were to take advantage of these laws. Though there have been discussions about harmonizing Slovakian NGO law with relevant E.U. law, the seven different models for NGO operations are incompatible, preventing uniform legislation.

In drafting the Code for Non-Profit Law, NGOs realized that several important legal definitions were missing. Terms such as "public-benefit activities," "sponsorship," "volunteerism," and others are undefined. The Open Society Foundation initiated a discussion and conference about the term "public benefit." The

government declared its support for projects of public benefit, but the concept needs to be defined first. This effort by the State and the

hope of future efforts by NGOs is viewed as positive and a step that can help the NGO sector move forward.

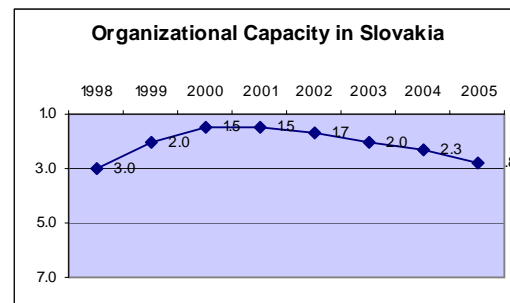
ORGANIZATIONAL CAPACITY: 2.8

Many organizations, especially foundations, have Boards of Directors with which they have cooperative relationships. Organizations also engage in strategic planning and prepare business plans; some even have codes of ethics. Because many NGOs provide services to those who are unable to pay, fundraising is an issue. If they chose to charge fees for their services, they encounter difficulties created by the absence of a clear definition for “entrepreneurial activities of NGOs.”

Smaller NGOs such as those that work with the Roma people have begun to nurture their own institutional development as well; whether this will lead to sustainability is still in question. Other points of discussion are whether the sector should downsize or remain the same, and whether the inability for some organizations to survive is simply a result of the demand and availability of resources. NGOs are being pressured by the private and public sectors to increase their level of professionalism, which means that they often have to minimize their staff and consolidate the roles of their employees. The cost is that many organizations, especially advocacy organizations, are forced to cut back on their activities.

Advocacy and watchdog organizations are particularly affected by the financial conditions, in that to accept government funding would present conflicts of interest and deter businesses from supporting their activities. Advocacy organizations depend on the public

for their support, and the question is whether the public has attained a level of maturity that will prompt them to do so.



Volunteerism is another human resource challenge. The only volunteer center no longer exists and the law does not define the term “volunteerism,” leaving open the question of whether volunteers are responsible for their actions as related to their volunteer activities. Though individuals and corporations are willing to assist, they are limited by time and volunteer activities are a low priority. Completing and enacting the Code of Non-Profit Law would promote volunteerism and offer people the option of becoming licensed volunteers, meaning they would be trained in a specific area relevant to NGO activities and then listed in a volunteer database. The majority of organizations has the technical equipment needed to accomplish its work. Though no donors finance new technical equipment, some corporations provide their old equipment to NGOs.

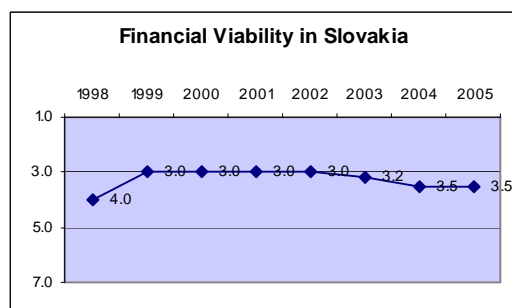
FINANCIAL VIABILITY: 3.5

The decrease in foreign funding has made it necessary for NGOs to seek out new sources of funding in order to survive. The need for new sources of funding is especially true for advocacy and watchdog organizations that are unable to accept government funding. Such organizations also have difficulty gaining support from the business sector, which often views them as risky investments. They have a hard

time establishing self-financing activities because of their scope of activity.

Other types of NGOs have fared a little better. NGO service providers have enjoyed an increase in financing and many businesses provide them with direct support for popular activities such as youth services and cancer support, as well as less popular activities such as

re-socialization centers for criminals, and hospice. NGOs also have access to E.U. funds, though some organizations attempted to take advantage of them and almost closed down as a result. One issue with E.U. funds is that grants are paid after the activity is complete and most organizations are unable to cover the costs of the project up front. The same is true with other grants. NGOs that had been awarded grants from the Fund of Social Development, which was created to provide NGOs with State funds, began their projects before receiving their grants, only to learn that the Fund has no legal authority to pay out the grants. Similarly, the State committed to supporting a few festivals organized by NGOs, but never distributed the funds. For reasons illustrated by these examples, NGOs now enforce the system of upfront installments paid from their own reserves and reimbursement is received late, which causes major difficulties for NGOs' financial management.



NGOs, regardless of their financial plans, generally have diverse sources of funding as is often required by donors. The majority of NGOs provides professional financial reports, and even conducts annual audits, which are required of organizations that earn more than 1

million SKK from the 2% law. The number of organizations with the ability to prepare grant proposals for the E.U. Structural Funds increased significantly over the past year. Fundraising is a necessary means for an organization's survival. The majority of NGOs recognize the need for fundraising; however, the role of fundraising in the organization is not defined and this work is therefore often done by the executive director.

Membership fees are a source of funding for only a few organizations, such as youth groups, since most NGOs do not have a strong enough membership bases to serve as funding sources. NGOs, especially those that offer social services, are able to receive public funding. The Open Society Foundation's efforts to define "public benefit" better should lead to a larger number of organizations that are able to access state funding.

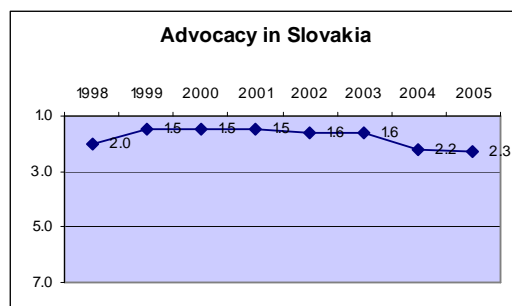
Community foundations have been successful in generating support from private entities. Some corporations have even created cooperative initiatives that earmark funds for grant-making. As a result, corporate foundations have strong public images, even though their original goals were often to support their own goals and objectives. Foreign foundations often use their own endowments as a source of financing, though in Slovakia, endowments only account for 7% of the sector's income.

Many NGOs complain that most funds are distributed to NGOs based out of the capital. According to data from implementation of the 2% law, however, there is a high correlation between location of a corporation and the location of the NGO it supports.

ADVOCACY: 2.3

NGOs have many avenues to advocate for their causes. For example, NGOs are permitted to submit comments and suggestions to Parliament concerning pieces of legislation. If they are able to collect five - hundred signatures, Parliament is required to address their comments. Ad hoc coalitions form to address specific topics and often have contact with Parliament. The greatest obstacle NGOs face in these efforts is

public apathy. Despite the numerous inflammatory issues that arose over the past year, the public became involved in only one. The public rallied to organize the "People Against Violence" rally in response to a neo-Nazi's killing of a student. This may be the result of increased competition among NGOs or the lack of intra-sectoral communication.



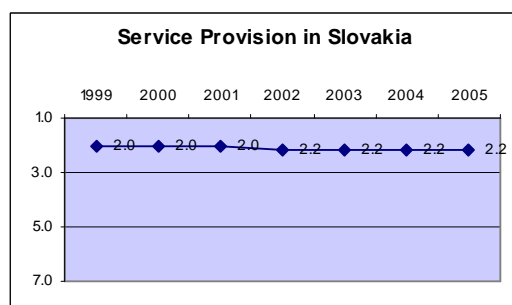
NGOs engaged in numerous advocacy activities, including the Alliance for Fair Play, which successfully enforced more transparent rules within the Law on Political parties. The Civic

Association Navrat worked with the Ministry of Social Affairs, Labor and Family to reform the Law on Social-Legal Protection of Children. NGOs also advocated for KIA to build an automotive plant in Zilina. Racist attacks continue, though only a few organizations such as the People Against Racism and Charter 77 are willing to address such a sensitive subject in Slovakia.

NGOs did make a few unsuccessful attempts to advocate at the state level. For example, NGOs tried to decrease the immunity of members of Parliament and clearly define “conflict of interest;” both initiatives were unenforceable.

SERVICE PROVISION: 2.2

The majority of NGO service providers offers social services. Many of the former state organizations working in this area were converted into non-profit organizations. NGOs provide services that the government does not and are supported by the state in which they operate. As a result, social service NGOs have an appreciation for the government and its support. The government is not always transparent in its support of NGOs with organizations that were once government agencies receiving more support than others due to their personal contacts. Despite this issue, the market for social services is more open and beneficial to the public. Services are provided by organizations such as PDCS and CVNO. Pro bono legal services are often of a higher quality than those provided by the state.



Several NGOs also provide grants on behalf of the state and private sector. The Open Society Foundation administers funds for the Plenipotentiary for Roma Issues, which offers scholarships for Roma Students. The Center for Philanthropy administers funds for the SPP Foundations (Slovak Gas Industry) and the funds for the telecom corporation Orange. The Pontis Foundation administers World Bank grants from various corporations. Though administering grants may seem lucrative, most foundations report that they only cover their costs.

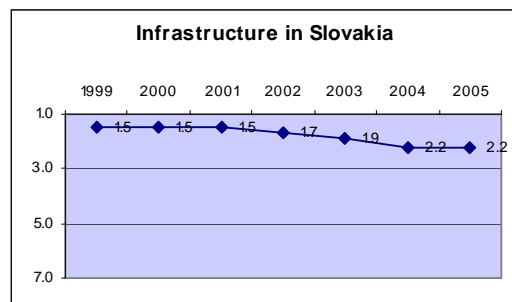
Some organizations do engage in activities that could become lucrative. The Integra Foundation owns a popular store that sells its clients' products. Majak, a civic association, is a re-socialization center that provides transportation services. NGOs also provide health services for free during the week, but charge a fee on the weekends to cover their costs.

INFRASTRUCTURE: 2.2

In addition to the existing training organizations such as the First Slovak Non-Profit Service Center, the Forum Information Center, STUZ,

VOKA, the Association of Supervisors and Social workers, Fenestra and Profamilia, the sector is undertaking a new education program.

PDCS, along with OSF and CVNO, is preparing internet courses to provide training in all areas relevant to NGOs. The first set of courses will be offered to NGO leaders and open to a wider audience in the future.



NGOs have formed many informal coalitions and networks. Most of them meet only when they need to address an issue or need. Socio-forum is a more permanent network that addresses social services. It holds an annual conference, and has completed extensive analysis of foundations, which was followed by a conference for the foundations, and organized a network of consultants and trainers with internet conference capabilities. ChangeNet, an internet portal, offers information services to the entire sector, but offers several servers such as the socio-forum on social issues, mladež.sk on youth issues, a mail server for environmental organizations, and one page (www.partnerstva.sk) dedicated to partnerships with the NGO sector.

Efekt is a monthly magazine published by 1st SNSC that covers NGO events and provides “Flash News” and a “Monthly Information Summary” about the changes in laws and regulations, as well as the implementation of procedures governing taxes, accounting, and management. This will soon be united under the

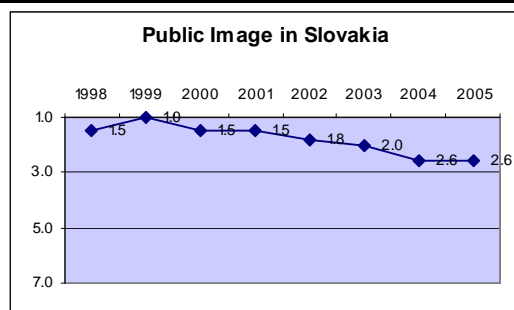
SEFIN project, an internet information database that will also provide statistics and analytical information about NGOs, projects, activities, donors, and finances. SEFIN will facilitate the exchange of information among donors and identify unsupported programs and geographic areas, as well as increase the transparency of NGOs. SEFIN is scheduled to be up and running in December of 2005. NGOs that pay for SEFIN will receive the flash news and the internet version of Efekt magazine. In addition to donor information, SEFIN will offer information from the Ministries that provide NGOs with grants and information on registered organizations.

NGOs, especially those that receive E.U. funding, are often required to cooperate with the state; at times cooperation is formal and driven by a specific purpose. In the area of social services, the Socia Foundation partners with local municipalities and organizations provide trainings for social workers and local governments.

NGOs prepared numerous publications. The Pontis Foundation produced a publication on Corporate and Social Responsibility and PDCS prepared a paper on self-financing. Ekopolis and IVO worked on a project that focused on public relations for NGOs and how to acquire more sustainable sources of funding. The Sasakawa Foundation prepared an e-manual for obtaining information on NGOs with the Visegrad (V4) countries.

Despite these positive elements, the NGO infrastructure has always been supported by foreign funding and many question whether it will be sustainable if it has to rely on local funding, especially considering the extremely competitive NGO environment.

PUBLIC IMAGE: 2.6



Cooperation with journalists continues to be difficult and many do not understand what the NGO sector is. Cooperation with the media often depends on personal contacts. Media coverage of specific activities is at times quite broad and events such as the One Hour for Children and Daffodil Day are usually well-covered. The media is generally willing to provide discounts for NGO advertisement, though organizations are often perceived as having significant funding or being political.

NGOs hold press conferences frequently, though when the topics are complex, journalists often do not show up and media is weak. In order to address this problem, NGOs are organizing breakfasts with journalists rather than press conferences, which allow them more time to explain issues. Journalists are at times eager to establish new contacts and NGOs are able to assist them. Cooperation with the media is also influenced by overloading, fluctuation and low level of education of journalists. No

journalists specialize on NGO affairs. The media generally provide greater coverage to negative aspects of NGO activities rather than their positive developments.

Another way of increasing transparency and communicating with the public is through annual reports. The Children and Youth Foundation and PDCS not only prepared a publication on how to prepare a high-quality report, but also held a competition for the best annual report.

The government's view of the NGO sector is neutral; government officials do not create barriers for NGOs, but they also do not voice support for their activities. The government and media often take advantage of the expertise offered by organizations such as the Alliance for Fair Play, Transparency International, Institute for Public Affairs, MESA IO, F.A. Hayek Foundation, and others. Government officials also benefit from reports that NGOs produce, though they rarely ask organizations to prepare such reports.

The NGO sector has yet to adopt a common code of ethics or other mechanisms to increase transparency, though the Donor Forum has become active in this field. The NGO sector is also missing a moral authority and fails to communicate with the public about its roles and activities. For this reason, the NGO sector is sometimes perceived as non-innovative and conservative.